

Cherry Hill Water Company  
Statement of Operating Income with Adjustments  
For the Test Year Ending December 31, 2002

Line No.	Description	Company Pro Forma Present (Co. Sch. B)	Adjustments (Appendix A Sch. 2 CH)	Pro Forma Present (Cols. b+c)	Company Proposed Increase (Co. Sch. B)	Gross Revenue Conversion Factor	Proposed Rates With Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Pro Forma Proposed (Cols. g+h)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ 89,054	\$ -	\$ 89,054	\$ 13,500	\$ (470)	\$ 102,084	\$ (7,226)	\$ 94,858
2	-	-	-	-	-	-	-	-	-
3	Total Operating Revenue	89,054	-	89,054	13,500	(470)	102,084	(7,226)	94,858
4	Uncollectible Accounts	95	-	95	15	(1)	109	(8)	101
5	Maintenance Expenses	43,510	(933)	42,577	-	-	42,577	-	42,577
6	General Expenses	19,321	(2,669)	16,652	-	-	16,652	-	16,652
7	Depreciation	5,520	-	5,520	-	-	5,520	-	5,520
8	Amortization of CIAC	(85)	-	(85)	-	-	(85)	-	(85)
9	Taxes Other Than Income	10,973	(89)	10,884	41	(41)	10,884	-	10,884
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	79,334	(3,691)	75,643	56	(42)	75,657	(8)	75,649
17	State Income Tax	130	(38)	92	672	(428)	336	(135)	201
18	Federal Income Tax	1,276	347	1,623	4,343	(1)	5,965	(2,408)	3,557
19	Deferred Taxes and ITCs Net	(613)	(94)	(707)	-	-	(707)	-	(707)
20	Total Operating Expenses	80,127	(3,476)	76,651	5,071	(470)	81,252	(2,551)	78,701
21	NET OPERATING INCOME	\$ 8,927	\$ 3,476	\$ 12,403	\$ 8,429	\$ 0	\$ 20,832	\$ (4,675)	\$ 16,157
22	Rate Base (Appendix A, Schedule 3 CH, Column (d))								\$ 190,314
23	Overall Rate of Return								8.49%
24	Revenue Change (Col. (i) Line 3 minus Col. (d), Line 3)								\$ 5,804
25	Percentage Revenue Change (Col. (i), Line 24 divided by Col. (d), Line 3)								6.52%

**Cherry Hill Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2002

Line No.	Description	Interest Synchronization (Appendix A Sch. 5 CH)	Add-On Taxes (Staff Ex. 1.0 Sch. 1.7 CH)	Non-Health Insurance (Staff Ex. 1.0 Sch. 1.8 CH)	Income Taxes (Staff Ex. 1.0 (Sch. 1.9 CH)	Health Insurance (Staff Ex. 7.0 (Sch. 7.7 CH)	Rate Case Expense (Per Order) (See Note 1)	Monthly Billing (Staff Ex. 7.0 (Sch. 7.9 CH)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	-	-	-	-	-	-	(933)	(933)
6	General Expenses	-	-	(897)	-	(1,670)	1,016	(1,118)	(2,669)
7	Depreciation	-	-	-	-	-	-	-	-
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	(89)	-	-	-	-	-	(89)
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	-	(89)	(897)	-	(1,670)	1,016	(2,051)	(3,691)
17	State Income Tax	(23)	2	17	(84)	31	(19)	38	(38)
18	Federal Income Tax	(418)	30	299	(466)	557	(339)	684	347
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(441)	(57)	(581)	(550)	(1,082)	658	(1,329)	(3,382)
21	NET OPERATING INCOME	\$ 441	\$ 57	\$ 581	\$ 550	\$ 1,082	\$ (658)	\$ 1,329	\$ 3,382

Note 1: Per Staff's Initial Brief, Appendix A, Schedule 5 CH and the Company's late-filed Exhibit 3.0, the total Rate Case Expense is \$7,774. The total amount, amortized over 3 years is \$2,591. Compared to the Company's Pro Forma Present amount of \$1,575, an adjustment of \$1,016 is warranted.

**Cherry Hill Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2002

Line No.	Description	Subtotal Operating Statement Adjustments	Deferred State Income Tax (Staff Ex. 1.0 Sch. 1.13 CH)	(Source)	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Operating Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Maintenance Expenses	(933)	-	-	-	-	-	-	(933)
6	General Expenses	(2,669)	-	-	-	-	-	-	(2,669)
7	Depreciation	-	-	-	-	-	-	-	-
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	(89)	-	-	-	-	-	-	(89)
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(3,691)	-	-	-	-	-	-	(3,691)
17	State Income Tax	(38)	-	-	-	-	-	-	(38)
18	Federal Income Tax	347	-	-	-	-	-	-	347
19	Deferred Taxes and ITCs Net	-	(94)	-	-	-	-	-	(94)
20	Total Operating Expense:	(3,382)	(94)	-	-	-	-	-	(3,476)
21	NET OPERATING INCOME	\$ 3,382	\$ 94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,476

**Cherry Hill Water Company**  
**Rate Base**  
For the Test Year Ending December 31, 2002

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. C)	Adjustments (Appendix A (Sch. 4 CH)	Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	\$ 189,927	\$ -	\$ 189,927
2	Accumulated Depreciation	(10,386)	-	(10,386)
3		-	-	-
4	Net Plant	179,541	-	179,541
5	Additions to Rate Base			
6	Water Service Corporation	8,549	-	8,549
7	Cash Working Capital	9,225	(1,452)	7,773
8	Deferred Tank Painting	-	6,929	6,929
9		-	-	-
10		-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(3,299)	-	(3,299)
18	Accumulated Deferred Income Taxes	(9,179)	-	(9,179)
19		-	-	-
20		-	-	-
21		-	-	-
22		-	-	-
23	Rate Base	\$ 184,837	\$ 5,477	\$ 190,314

Line No.	Description	Cash Working Capital (Appendix A (Sch. 7 CH)	Tank Painting (Staff Ex. 2.0 Sch. 2.2 CH)	(Source)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Accumulated Depreciation	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	-	-	-	-	-	-
5	Additions to Rate Base								
6	Water Service Corporation	-	-	-	-	-	-	-	-
7	Cash Working Capital	(1,452)	-	-	-	-	-	-	(1,452)
8	Deferred Tank Painting	-	6,929	-	-	-	-	-	6,929
9		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-
19		-	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (1,452)	\$ 6,929	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,477

**Cherry Hill Water Company**  
**Interest Synchronization Adjustment**  
For the Test Year Ending December 31, 2002

Line No.	Description	Amount
	(a)	(b)
1	Rate Base	\$ 190,314 (1)
2	Weighted Cost of Debt	4.49% (2)
3	Synchronized Interest	8,545
4	Company Interest Expense	<u>7,293</u> (3)
5	Increase (Decrease) in Interest Expense	<u>1,252</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 1.876%	<u>\$ (23)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 34.000%	<u>\$ (418)</u>

(1) Source: Appendix A, Schedule 3 CH, Column (d).

(2) Source: ICC Staff Exhibit 4.0, Schedule 4.1.

(3) Source: Company Schedule B.

Cherry Hill Water Company  
Gross Revenue Conversion Factor  
For the Test Year Ending December 31, 2002

Line No.	Description	Rate	With Bad Debts	Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.1100%	<u>0.001100</u>	
3	State Taxable Income		0.998900	1.000000
4	State Income Tax	1.8763%	<u>0.018742</u>	<u>0.018763</u>
5	Federal Taxable Income		0.980158	0.981237
6	Federal Income Tax	34.0000%	<u>0.333254</u>	<u>0.333621</u>
7	Operating Income		<u>0.646904</u>	<u>0.647616</u>
8	Gross Revenue Conversion Factor		<u>1.545824</u>	<u>1.544125</u>

**Cherry Hill Water Company**  
**Adjustment to Cash Working Capital**  
For the Test Year Ending December 31, 2002

Line No.	Description (a)	Amount (b)	Source (c)
1	Maintenance Expenses	\$ 42,577	Appendix A, Schedule 1 CH, col (d), line 5
2	General Expense	16,652	Appendix A, Schedule 1 CH, col (d), line 6
3	Taxes Other Than Income	10,884	Appendix A, Schedule 1 CH, col (d), line 9
4	Less Property Taxes	<u>(7,931)</u>	Company response to Staff data request DLH-1.02, W/P [f]
5	Operating Expenses Subject to Working Capital Allowance	\$ 62,182	Sum of lines 1, 2, 3, and 4
6	Divisor (1/8)	0.125	45 days / 360 days
7	Working Capital Allowance	<u>7,773</u>	Line 5 times line 6
8	Working Capital Allowance Per Company	9,225	Company Schedule C, Column As Adjusted
9	Adjustment	<u><u>\$ (1,452)</u></u>	Line 7 less line 8